

The President

~~TOP SECRET~~

COPY NO. 1

NSC 5404/1

January 25, 1954

# NATIONAL SECURITY COUNCIL

## U. S. POLICY ON BERLIN

### ATTENTION

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E.O. 12958, SEC. 1.5 (a) (5)

NSC Letter 4/21/84

NLE DATE 8/31/84

January 25, 1954

## NOTE BY THE EXECUTIVE SECRETARY

to the  
NATIONAL SECURITY COUNCIL  
on

- References: U. S. POLICY ON BERLIN
- A. NSC 5404
  - B. Memo for NSC from Executive Secretary, same subject, dated January 20, 1954
  - C. NSC Action Nos. 920, 978 and 1017
  - D. NSC 132/1
  - E. NSC 173

The National Security Council, the Secretary of the Treasury and the Assistant Director, Bureau of the Budget, at the 181st Council meeting on January 21, 1954 adopted the statement of policy contained in the reference report (NSC 5404), subject to the changes therein which are set forth in NSC Action No. 1017.

The President has this date approved the statement of policy contained in NSC 5404, as amended and adopted by the Council and enclosed herewith; directs its implementation by all appropriate executive departments and agencies of the U. S. Government; and designates the Operations Coordinating Board as the coordinating agency.

The financial appendix and the Annex originally contained in NSC 173 are also enclosed.

Accordingly, NSC 132/1 is hereby superseded.

It is requested that special security precautions be observed in the handling of the enclosure and that access to it be very strictly limited on an absolute need-to-know basis.

JAMES S. LAY, Jr.  
Executive Secretary

cc: The Secretary of the Treasury  
The Director, Bureau of the Budget  
The Chairman, Joint Chiefs of Staff  
The Director of Central Intelligence

U. S. POLICY ON BERLIN

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Pages 1-6 exempted from declassification, MR 83-427 #2, 8/31/84

December 1, 1953

FINANCIAL APPENDIX

A. Special Provisions Relating to Berlin.

The position taken in the basic paper is in accordance with the Three Power Declaration at Paris, May 27, 1952, and with legislation enacted by the Congress in connection with the Economic Cooperation Act of 1948, as amended, and in the Mutual Security Act, Public Law 165, the 82nd Congress, and in the legislation appropriating funds for the conduct of the Department of State's operations in Germany. The sense of the public declarations referred to is not only that the United States will not abandon Berlin, but that it will strengthen and make maximum use of its position there. The legislative provisions cited indicate that Berlin is to have a special position with respect to authorized and appropriated funds and that special arrangements have been made by the Congress in order to provide for prompt and adequate action to maintain the Western position in Berlin and to lessen its vulnerability. For example, in the Mutual Security Act, there is the provision that "funds made available for carrying out the purpose of this Act in the Federal Republic of Germany may, as authorized in 114 (h) of the Economic Cooperation Act, as amended, 22nd United States Code, 1512 (b), be transferred by the President to any department or agencies for the expenses necessary to meet the responsibilities and obligations of the United States in the Federal Republic of Germany." These provisions were written into the legislation for the express purpose of safeguarding our position in Berlin. Similar Congressional intent was expressed in Public Law 547 of the 82nd Congress, where it was stated that currencies deposited in Germany in connection with surplus property of whatever nature and kind may be used "in an amount not to exceed the equivalent of \$25 million; however, the foregoing limitation shall not apply to currencies utilized hereunder for United States assistance to Berlin..."\* The special arrangements, which do not apply elsewhere, reflect the concern of the Congress for Berlin's unique position and our responsibilities there. They make formal provision for both the special need for funds to carry out our policy towards Berlin and for the need for flexibility in the management of those funds.

\* This particular provision has not been repeated in the current year's appropriation act since it is inconsistent with the general approach by the Congress toward the use of local currencies, set forth in Sec. 1415 of Public Law 547.

B. Cost of Maintaining Western Position in Berlin.

The maintenance of our position in Berlin, which has required that we keep troops there, that we feed the people to prevent disease and unrest in the early years of the occupation, that we assist their economic recovery with funds for investment and rehabilitation and that, in the period of Soviet blockade, we airlift essential supplies to them, has cost the Western world approximately 2 billion dollars in the years 1945-1952. The United States has provided approximately one-third of this sum, directly or indirectly, through its aid to the Federal Republic. Although Berlin is not a part of the Federal Republic of Germany, the latter has met the bulk of the rest of the cost of supporting Berlin (less than \$200 million being spent by the British and French Governments) chiefly during the first stages of the occupation and during the airlift.

The cost of supporting Berlin has been levelling off in the past three years, and can be expected to be reduced further, largely as a result of the economic improvement which was made possible by the aid Berlin received. In the present fiscal year, the Federal Republic will provide about \$300 million of support for Berlin, while over \$100 million will be spent from United States aid or its counterpart provided from appropriations previous to 1954. In Fiscal Year 1955, it is estimated that Berlin will require about \$350 million assistance. It is expected that approximately 12% of this will be derived from new United States appropriations, which will be supplemented by a carryover of undisbursed counterpart. The major burden will rest upon the Federal Republic. Even with improving conditions, however, it is still possible that the United States may have to continue to participate in the support of Berlin beyond 1955.

The specific programs now in operation in Berlin are described below. (See Table II)

1. Economic Programs Designed to Decrease Unemployment and Increase Production. (Investment and Work Relief Programs)

Although great progress has been made in restoring Berlin's economy, its external deficit, including its position with Western Germany, totals about \$400 million annually and there are still approximately 210,000 unemployed in the city. It is essential in order to accomplish our political objectives in Berlin to program for a progressive reduction in unemployment of not less than 50,000 annually.

In order to raise living standards, reduce unemployment, and improve economic conditions, the United States and German officials have drawn up an investment program which, by channeling counterpart funds into desirable investment is aimed at doubling industrial output, reducing Berlin's external deficit and reducing unemployment by 50,000 annually. Although aid from the Federal Republic to Berlin, amounting annually to about \$300-350 million, is far greater than United States aid, the form that United States aid takes makes it the dynamic and job-creating element in the Berlin economy. Bearing in mind the many uncertainties which can affect planning for Berlin, such as the loss of jobs by West Berliners now working in East Berlin, which among other factors requires increases in United States support of Berlin's work relief program, additional aid in the amount of \$37 million is needed for Berlin's investment and work relief program for Fiscal Year 1955. This compares with \$22 million appropriated in Fiscal Year 1953, supplemented by \$50 million made available by President Eisenhower in June 1953, and expended largely in Fiscal Year 1954. Accordingly, only \$15 million was appropriated in Fiscal Year 1954. (See Table I-A)

## 2. The Berlin Stockpile and Airlift

The vulnerability of Berlin was made clearly evident in 1948-49 when the blockading of Berlin by the Soviets made necessary the institution of an airlift, of which only the operating expenses cost the United States alone \$216 million. At its conclusion, the United States, the United Kingdom, and France agreed that essential commodities should be accumulated in Berlin in order to lessen the vulnerability of the city to a new blockade, and this action was prescribed by NSC 132/1. In developing this program, efforts have been made to accelerate the accumulation of such commodities, especially those impossible to airlift or of great bulk, as grain and coal and industrial raw materials.

While some portion of the raw materials component of the stockpile remains to be purchased, the schedule of procurement has been clarified and funds now on hand from Fiscal Year 1953 appropriations will make it possible to bring all essential elements of the stockpile to target levels.

## 3. Special Measures Which May be Called for From Time to Time to Meet the Pressures Created by and Assure Adequate Provision for Refugees Coming into Berlin

The continuing flow of refugees into West Berlin has created a tremendous strain on the city's economy. Although the vast majority of these are flown out to Western

Germany as soon as possible, there remain in Berlin 4% of the total number of "recognized" and all the "non-recognized" refugees, which causes continued strain on Berlin resources.

One reason the Federal Republic has been unable to resettle more refugees has been the housing shortage in Western Germany. In order to alleviate this situation, the United States in Fiscal Year 1954 granted \$15 million for housing construction for refugees, two-thirds of it to be used in West Germany, and one-third in Berlin. This sum will be matched by Federal Republic and Land Government funds and should result, both in the movement of more refugees out of Berlin and improved conditions for the few who must remain there.

No funds have been requested to assure adequate provision for refugees in Berlin in Fiscal Year 1955, since it is anticipated that the Federal Republic will make adequate provision for this problem.

#### 4. Cost of Maintaining United States Occupation Forces in Berlin

United States Forces in Berlin consist of Army constabulary, plus a small number of Air Force personnel involved in operation of Tempelhof Airbase. During the past two years, these forces have averaged approximately 6,000 and no change in number is anticipated under current conditions.

It is estimated that the cost to the United States of maintaining United States Forces in Berlin amounts to approximately \$20 million per year, including military personnel costs. In addition to these United States dollar costs, the Army and Air Force receive occupation support in Berlin from the Berlin government equivalent to \$18 million per year, as well as approximately \$1.7 million per year in mandatory costs. The Berlin element of the High Commissioner for Germany also receives approximately \$3.1 million per year from the Berlin government. (See Table I-B)

#### 5. Special Projects Designed Mainly to Strengthen the Position in East Berlin and the East Zone of Germany

The support of United States objectives requires that adequate preparation be made to seize opportunities to influence the people of the Soviet Sector of Berlin and the Soviet Zone of Germany in ways that will benefit United States objectives. To date in this Fiscal Year, \$15 million has been expended in financing special projects of this character. The food program, which is generally considered one of the



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actions most embarrassing to the Communists, constituted an effective and tangible proof to East Germans of United States interest in their welfare. This type of project in West Berlin, but designed to affect East Berlin or East Germany, is the type of program contemplated.

TABLE I-A

U. S. Economic Aid Used Directly for Berlin Program <sup>1/</sup>  
(millions of dollars)

	<u>FY 1953</u>	<u>FY 1954</u>	<u>FY 1955 (Est.)</u>
Expenditures-	6	80 <sup>2/</sup>	28

<sup>1/</sup> In prior years U. S. support of Berlin derived from counterpart generated from aid advanced to the Federal Republic to meet a balance of payments deficit. See Table II for actual counterpart costs of Berlin program; including counterpart funds carried over from previous aid years,

<sup>2/</sup> \$5 million of a total of \$15 million is for housing in West Berlin and \$10 million for West Germany.

TABLE I-B

Cost of Maintaining U. S. Occupation in Berlin  
(millions of dollars)

	<u>FY 1953</u>	<u>FY 1954</u>	<u>FY 1955 (Est.)</u>
Cost to U. S. (personnel costs, etc.)	\$ 20	\$ 20	\$ 20
Cost to Berlin Government			
(a) Support of Army and Air Force	18	18	18
(b) Mandatory Costs (e.g. Displaced persons)	1.7	1.7	1.7
(c) Berlin element of HICOG	<u>3.1</u>	<u>3.1</u>	<u>3.1</u>
	42.8	42.8	42.8

TABLE II

Disbursement of U. S. Counterpart in West Berlin <sup>1/</sup>  
(millions of dollars)

<u>Programs</u>	<u>Fiscal Years</u>				(Est.)	(Est.)
	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Investment	34.8	38.7	47.8	55.0	69.9	70.2
Work Relief	14.2	54.8	38.1	19.0	13.0	23.1
Stockpile	--	4.2	3.0	15.5	38.0	--
Other	--	<u>29.8</u>	--	<u>2.4</u>	--	--
Total	49.0	127.5	88.9	91.9	120.9	93.3

<sup>1/</sup> An assumption of new U. S. aid in FY 1955 of \$37 million is included for planning purposes.

ANNEXEXCERPTS FROM ALLIED STATEMENTS RE  
WESTERN PROTECTION OF BERLIN

May 14, 1952 - Secretary of State at news conference:

"...I think that is well understood by you and by everybody, including the Soviet Government, that we are determined to maintain our position in Berlin and to assist and protect the interests of the people of Berlin".

May 27, 1952 - Three Power Declaration at Paris by the U. S., U. K., and France:

"...the security and welfare of Berlin and the maintenance of the position of the three powers there are regarded by the three powers as essential elements of the peace of the free world in the present international situation. Accordingly, they will maintain armed forces within the territory of Berlin as long as their responsibilities require it. They, therefore, reaffirm that they will treat any attack against Berlin from any quarter as an attack upon their forces and themselves".

May 29, 1952 - Foreign Secretary Eden in a speech to the Berlin Chamber of Deputies called attention to security guarantees given to Berlin by the Allies.

June 29, 1952 - Secretary of State, in a speech in Berlin at the corner-stone-laying ceremonies for a new library, stated:

"We have joined the Governments of France and Great Britain in reaffirming our abiding interest in the protection of Berlin. We have given notice, in plain and unmistakable language, that we are in Berlin until we are satisfied that the freedom of this city is secure. We have also indicated in unmistakable terms that we shall regard any attack on Berlin from whatever quarter as an attack against our forces and ourselves."

Feb. 6, 1953 - Secretary of State Dulles, at Wahn airport on his departure from a visit to Germany, stated:

"I regret that time did not permit a visit to Berlin on this occasion. I recall my visit there on the airlift in 1948. We, in the United States are, now as then, vitally interested in the welfare and security of this city and we share the determination of the Berliners to maintain their liberties."

Feb. 18, 1953 - High Commissioner Conant, in a speech over RIAS on his first visit to Berlin shortly after assuming his post as High Commissioner, stated:

"Speaking as U. S. High Commissioner from Germany, let me make plain at the outset the position of my government. The new administration in Washington will not abandon Berlin. The U. S. is pledged to do its part to see to it that this city continues as an unshaken outpost of the Western world. We shall continue to insist on the free circulation throughout the entire city. We shall continue to fulfill our duties and to maintain our rights. Our rights as a joint occupying power in Berlin derive from the defeat and surrender of Germany and are defined in the agreements of the four powers. Unfortunately, neither the spirit nor the letter of these agreements is being carried out in one sector of this city. The U. S., in cooperation with other two Western powers, is determined to keep open the lines of communications with Berlin. I can assure you there will be no faltering in our determination.

...The frontiers of freedom will peacefully expand and Berlin will then no longer be an isolated citadel. Until this time comes, the insurance of its freedom and industrial prosperity must depend on the strength of the Western world, and that strength will not fail."